

Nebraska Sales and Use Tax NONPROFIT ORGANIZATIONS Spring 2012

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This PowerPoint handout is used for training purposes in conjunction with the oral presentation given by Department training staff.

It is not intended to be a stand-alone document.

It is not an information guide, nor does it carry regulatory or statutory authority.

Nebraska tax statutes, regulations, information guides, and other resources are available at www.revenue.ne.gov.

CHANGE IN THE NEBRASKA SALES AND USE TAX DUE DATE

The sales and use tax due date will change from the 25th of the month to the 20th of the month.

This change will take effect:

- For monthly filers, with the October return due on November 20, 2011;
- For quarterly filers, with the 4th quarter return due on January 20, 2012; and
- For annual filers, with the 2011 annual return also due on January 20, 2012.

This change applies to the Nebraska and Local Sales and Use Tax Return, Form 10, and the Business Nebraska and Local Use Tax Return, Form 2.

Nebraska and County Lodging Tax and Tire Fee returns remain due on the 25th of the month.

THE DEPARTMENT IS GOING PAPERLESS!

- Printing and mailing of tax forms has been reduced, and in some cases, eliminated.
- Sign up for a free subscription service at <u>www.revenue.ne.gov</u> to get email updates on your topics of interest.

TODAY'S AGENDA

- 1. Overview of Sales and Use Tax
- 2. The IRC § 501(c) Federal Exemption
- 3. Nonprofits that are Exempt From Sales and Use Tax
- 4. When Nonprofits Make Sales

1.
OVERVIEW OF
1A. SALES TAX &
1B. USE TAX

1A. OVERVIEW OF SALES TAX

- What is a sales transaction?
 - Sales tax is calculated on the gross receipts.
 - Delivery location determines the rate of local tax.
 - Retailers must collect and report sales tax or document why they didn't.
- What is use tax?

1A. OVERVIEW OF SALES TAX

A SALE is

- the transfer of title or possession,
- of an item or taxable service,
- for consideration.

1a. Overview Of Sales Tax (continued)

SALES TAX is

- a transactional tax,
- based on the transaction,
- rather than the item sold.

1B. OVERVIEW OF USE TAX

- Use tax is due when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- Sales and use tax are <u>not</u> BOTH due on the same transaction.
- The big difference is who remits the tax -
 - Sales tax is collected and remitted by the seller.
 - Use tax is paid directly to the Department by the purchaser/consumer.

1B. Overview of Use Tax (continued)

Use tax and sales tax have these things in common -

- They are imposed on the same transactions.
- They have the same exemptions.
- They are calculated at the same rate.
 - OR
 - Where first usage in Nebraska takes place.

NOTE: Entities exempt from payment of sales tax are also exempt from payment of use tax. Spring 2010 - 11

1B. Overview of Use Tax (continued)

- Often due when purchases are made from an out-of-state seller
 - Internet, catalog, mail order
 - Magazines and journals by subscription
- Due when the business withdraws tax-free inventory for business or personal use, or are later donated to a nonprofit.

1. Overview of Sales & Use Tax (continued)

REPORTING SALES AND USE TAX

- Monthly, Quarterly, and Annually
- Sales and Use Tax Form 10
- Use Tax Form 2

Don't forget the change in the due dates! (slide 3)

2. THE IRC § 501(c) EXEMPTION

2. THE IRC § 501(c) EXEMPTION

- Internal Revenue Code (IRC) § 501(c) provides for a federal income tax exemption.
- An organization with IRC § 501(c) status is also exempt from Nebraska income tax.

Organizations with unrelated business income should refer to www.revenue.ne.gov.

2. IRC § 501(c) Exemption (continued)

- IRC § 501(c) status DOES NOT EXEMPT
 a nonprofit organization (nonprofit)
 from Nebraska sales or use tax!
- Nebraska allows certain types of entities to obtain a sales and use tax exemption number.

3.

NONPROFITS THAT ARE EXEMPT FROM SALES AND USE TAX

3. NONPROFITS THAT ARE EXEMPT FROM SALES AND USE TAX

- A qualifying nonprofit must apply for an exemption number by filing a Form 4.
- Once assigned an exemption number, the nonprofit may make purchases of taxable items for its own use without paying sales or use tax.

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3. Nonprofits Exempt From Sales & Use Tax

(continued)

 When making tax exempt purchases, the qualified nonprofit must give the seller a Nebraska Resale or Exempt Sale Certificate, <u>Form 13</u>, Section B.

Refer to the

<u>Nebraska Taxation of Nonprofit Organizations information guide</u> for additional information.

Form 13, Section B

Nebraska Department of REVENUE	Nebraska Resa	for Sales Ta	x Exempt		ficate ET FORM	FORM 13
NAME AN	D MAILING ADDRESS OF PURCHASI	ER		NAME AND MAILIN	G ADDRESS OF	SELLER
Name			Name			
Street or Other Mailing Ad	dress		Street or Oth	ner Mailing Address		
City	State	Zip Code	City		State	Zip Code
I hereby certif	_	by the above p	urchaser is	cate is valid until revoke exempt from the Nebra Complete Section B)	ska sales tax for	-
	SECTION B	– Nebraska	Exempt	Sale Certificate		
The basis for t	his exemption is exemption category	(Insert	appropriate o	ategory as described on a	reverse of this fo	rm.)
If exemption c	ategory 2 or 5 is claimed, enter the follo	owing informat	ion:			
Description of Item(s) Pur	chased		Intended Us	se of Item(s) Purchased		
	ategories 3 or 4 are claimed, enter the Nategory 6 is claimed, seller must enter t					
Description of Item(s) Sol		of Seller's Origin		Was Tax Paid when Purd	-	Was Item Depreciable?

4. WHEN NONPROFITS

MAKE SALES

4. WHEN NONPROFITS MAKE SALES

- Even if a nonprofit is exempt from paying sales tax, it is the retailer of the items it sells and must collect state and local sales taxes.
- A nonprofit making taxable sales must obtain a sales tax permit by completing a Nebraska Tax Application, <u>Form 20</u>.

- The nonprofit may purchase tax exempt any items it will resell.
- The nonprofit will issue a Form 13,
 Section A, to the seller in order to purchase items tax exempt for resale.

Form 13, Section A

DEVENITE for Sales Tax	xempt Sale Certificate Exemption Exercise side/see note below RESET FORM 13
NAME AND MAILING ADDRESS OF PURCHASER	NAME AND MAILING ADDRESS OF SELLER
Name	Name
Street or Other Mailing Address	Street or Other Mailing Address
City State Zip Code	City State Zip Code
I hereby certify that the purchase, lease, or rental by the above pu	d, this certificate is valid until revoked in writing by the purchaser. archaser is exempt from the Nebraska sales tax for the following reason: Purchase (Complete Section B) Contractor (Complete Section C)
SECTION A — Nebras	ska Resale Certificate
I hereby certify that the purchase, lease, or rental of from the above seller is exempt from the Nebraska sales tax as a purchase form or condition in which purchased, or as an ingredient or component pa	for resale, rental, or lease in the normal course of our business, either in the art of other property to be resold. blesaler Retailer Manufacturer Lessor
and hold Nebraska Sales Tax Permit Number 01-	If None, State Reason
or Foreign State Sales Tax Number	State

Sales made by nonprofits may include:

- Admissions
 (charges for the right to have access to, or use a place where amusement, entertainment, or recreation is provided)
- Auctions
- Car washes
- Fireworks
- Garage sales
- Prepared food

When items are sold at fundraising events:

- Separately state the fair market value if a donation was included;
- Collect Nebraska and local sales taxes on the fair market value; and
- If not stated separately, collect sales tax on the total amount.

EXAMPLE

- A nonprofit organization holds a fundraising banquet in Scottsbluff.
- The total price of a ticket to this event is \$250.
- The fair market value of the meal is \$50.

See the difference in the amount of sales tax due depending on how the ticket price is stated:

A	
Meal	\$ 50.00
Donation	\$196.50
Sales Tax (Scottsbluff 7%)	\$ 3.50
Total	\$250.00

В	
Ticket	\$250.00
Sales Tax (Scottsbluff 7%)	\$ 17.50
Total	\$267.50

EXCEPTIONS

ONLY schools, school organizations, and religious organizations may make certain sales tax exempt.

Refer to:

Nebraska Taxation of Nonprofit Organizations information guide;
Sales and Use Tax Responsibilities of Elementary & Secondary Schools, Parent-Booster Clubs, Parent-Teacher Associations,

<u>& Student Organizations;</u>

and Sales and Use Tax Regulations

<u>1-091 – Religious Organizations</u>, and <u>1-092 – Educational Institutions</u> for additional information.

5. CONSTRUCTION CONTRACTS WITH EXEMPT ENTITIES

5. CONSTRUCTION CONTRACTS WITH EXEMPT ENTITIES

Form 17

"Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax"

 Supports why tax was not paid or collected on building materials and fixtures for construction projects with exempt entities.

5. Contracts with Exempt Entities

(continued)

PRIME CONTRACTORS

- Receive <u>Form 17</u> from project owner
 PRIOR TO the start of the project.
- Complete the lower portion.
- Provide copies to any subcontractors on the project so they can buy building materials and fixtures tax-exempt.

Form 17



Purchasing Agent Appointment

and Delegation of Authority for Sales and Use Tax

17

		PURCHASING AC	ENT APPOINTMENT		
Name and	d Address of Prime Contra	actor	Name and Address of Gove	ernmental Unit or Exe	empt Organization
lame			Name		
treet or Other Mailing Address			Street or Other Mailing Address		
iity	State	Zip Code	City	State	Zip Code
Nam	e and Location of Project		Annois	ntment Information	
ame	e and Location of Project	·	Effective Date (see Instructions)	itilierit illionilation	
treet or Other Mailing Address			Expiration Date		
ity	State	Zip Code	Nebraska Exemption Number (Exemp	ot Organizations Only)	
lentify Project					
The unders its agent to purch	igned governmental unit or exer ase and pay for building materi	npt organization appoints als that will be annexed to	the above-named contractor and the con real estate by them into the tax exempt	tractor's delegated subcor construction project state	ntractors as d above.
its agent to purch	igned governmental unit or exer ase and pay for building materi ature of Governmental Unit or E	als that will be annexed to	the above-named contractor and the con real estate by them into the tax exempt 	tractor's delegated subcor construction project state	ntractors as d above. Date
its agent to purch	ase and pay for building materi	als that will be annexed to	real estate by them into the tax exempt	tractor's delegated subco construction project state	d above.
sign here Authorized Signa Name ai	ase and pay for building materi	als that will be annexed to Exempt Organization EGATION OF PRIME (Title CONTRACTOR'S AUTHORITY Deleg	tractor's delegated subco construction project state	d above.
sign here Authorized Signa	ase and pay for building materi ature of Governmental Unit or E DELE	als that will be annexed to Exempt Organization EGATION OF PRIME (Title	construction project state	d above.
sign here Authorized Signa Name at	ase and pay for building materi ature of Governmental Unit or E DELE nd Address of Subcontrac	als that will be annexed to Exempt Organization EGATION OF PRIME (Title CONTRACTOR'S AUTHORITY Deleg	construction project state	d above.
its agent to purch sign here Authorized Signs Name and ame treet or Other Mailing Address	ase and pay for building materi ature of Governmental Unit or E DELE nd Address of Subcontrac	als that will be annexed to Exempt Organization EGATION OF PRIME (Title CONTRACTOR'S AUTHORITY Deleg Effective Date	construction project state	d above.
Authorized Signa Name and Street or Other Mailing Address City The undersi	ase and pay for building material ature of Governmental Unit or E DELE nd Address of Subcontract State	Exempt Organization EGATION OF PRIME (ctor Zip Code	Title CONTRACTOR'S AUTHORITY Deleg Effective Date Expiration Date	construction project state	d above.
Authorized Signa Name and Street or Other Mailing Address City The undersi	ature of Governmental Unit or E DELE nd Address of Subcontract State	Exempt Organization EGATION OF PRIME (ctor Zip Code	Title CONTRACTOR'S AUTHORITY Deleg Effective Date Expiration Date Portion of Project	construction project state	d above.

5. Contracts with Exempt Entities

(continued)

- ONLY building materials and fixtures
 that become annexed to real estate may
 be purchased tax exempt.
- Contractors MUST pay sales or use tax on all purchases or rentals of equipment, tools, and taxable services used to complete the project.

5. Contracts with Exempt Entities

(continued)

Routine, On-call Repair for Exempt Entities

Contractors who are on-call for exempt entities may obtain a Form 17 for routine, on-call repair.

- There must be a written agreement.
- One year period of time only.





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